

Message Text

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ACTION ARA-10

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SUBJECT: PERU MOVES CLOSER TO OBTAINING MAJOR FINANCING PACKAGE

REF: LIMA 6406, STATE 184726

1. ALAN ROGERS, CHIEF OF LOCAL BRANCH OF BANK OF AMERICA, INFORMED ECON COUNSELOR AND ECON OFFICER ON JULY 26 THAT MAJORITY OF U.S. BANKS THAT HAVE BEEN MEETING WITH CENTRAL BANK PRESIDENT SANTISTEVAN OVER COURSE OF LAST TWO WEEKS ARE LIKELY TO RAISE AT LEAST \$150 MILLION IN NEW FINANCIAL PACKAGE FOR PERU. ACCORDING TO ROGERS, BANKERS' TRUST AND CONTINENTAL ILLINOIS DO NOT WANT TO PARTICIPATE UNLESS GOP REQUESTS AN IMF STANDBY. OTHER MEMBERS OF "STEERING COMMITTEE" (BANK OF AMERICA, WELLS GARGO, CITIBANK, MANUFACTURERS HANOVER, MORGAN GUARANTY, AND CHASE) ARE WILLING TO GO AHEAD.

2. ONE HOLDUP IN PROGRESS IN THE NEGOTIATIONS IS THAT BANK OF AMERICA DOES NOT WANT TO GO ALONG WITH OTHER BANKS WHO HAVE STIPULATED INTER ALIA THAT LOAN AGREEMENT INCLUDES REFERENCE TO MARCONA SETTLEMENT AND RESOLUTION OF TOQUEPALA TAX CASE. ROGERS SAYS THAT BANK OF AMERICA BELIEVES BANKS SHOULD NOT BE "RUNNING GOVERNMENTS," AND THAT, IN ANY EVENT, THESE CASES DO NOT HAVE TO BE MENTIONED EXPLICITLY, SINCE GOP KNOWS BANKS WILL NOT SIGN LOAN

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AGREEMENT UNLESS MARCONA AND SPCC CASES ARE SETTLED. BANKS ALSO

HOPE TO RESTRICT GOP FROM USING LOAN FUNDS FOR ARMS PURCHASES.

3. AS THINGS NOW STAND, LOAN WILL NOT BE SYNDICATED; RATHER, EACH BANK WILL HAVE OWN AGREEMENT WITH GOP. ROGERS BELIEVES MEMBERS OF "STEERING COMMITTEE" AND SEVERAL OTHER LARGE BANKS WILL TAKE UP TO \$25 MILLION EACH, ACCOUNTING FOR TOTAL PACKAGE OF ROUGHLY \$150 MILLION. IN ADDITION, ANOTHER TEN OR SO BANKS WILL TAKE BETWEEN \$5 AND \$10 MILLION EACH, SO THAT ENTIRE "PACKAGE" COULD BE IN THE NEIGHBORHOOD OF \$250 MILLION. "STEERING COMMITTEE" HAS PROPOSED THAT GOP GIVE LOAN SUBSCRIBERS STATISTICAL SCHEDULE OF GOP ECONOMIC PROGRAM WHICH WILL ENABLE BANKS TO CHECK ON PROGRESS OF PERU'S ECONOMY.

IMF WOULD BE ASKED TO GIVE ITS INFORMAL "SEAL OF APPROVAL" ON A MONTHLY BASIS THAT THE GOP IS ADHERING TO THE SCHEDULE. IT IS FELT THAT THE ADDITIONAL BANKS WOULD BE MORE WILLING TO PARTICIPATE IF THERE IS SOME TIE-IN OF THIS SORT WITH THE IMF.

4. ACCORDING TO ROGERS, SANTISTEVAN FIRST MADE PRESENTATION ASKING FOR \$300 MILLION BUT SOON ADMITTED THAT PERU COULD GET ALONG WITH \$250 MILLION. EVEN THIS AMOUNT IS CONSIDERED TO CONTAIN EXTRA AMOUNT TO PROVIDE "WINDOWDRESSING," I.E., TO PERMIT GOP TO SHOW POSITIVE FOREIGN EXCHANGE RESERVE POSITION. IF LOAN PACKAGE IS MADE, FUNDS WILL BE EARMARKED BY BANKS (AS PER REFTELS), BUTO GOP WILL BE ALLOWED DRAWDOWN NEAR END OF YEAR IN ORDER TO SHOW FAVORABLE RESERVE POSITION.

5. RIGERS INDICATED THAT BARRING COMPLICATIONS COMPLETION OF NEGOTIATIONS AND OFFICIAL ANNOUNCEMENT OF THE PACKAGE COULD BE EXPECTED WITHIN APPROXIMATELY TWO/THREE WEEKS.
DEAN

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